

Message Text

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ACTION NEA-16

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C O N F I D E N T I A L KUWAIT 4193

DEPT PASS OPEC/OECD CAPITALS

EO 11652: GDS

TAGS: ENRG KU

SUBJ: KUWAITI BUY-BACK PRICES; FUTURE OF PARTICIPATION IN KUWAIT

REF: KUWAIT 4190

1. DURING MEETING WITH ATEEQI AND ALI KHALIFA SEPT 28 I ASKED WHAT KUWAIT-GULF/BP BUY-BACK ARRANGEMENTS WERE FOR FOURTH QUARTER. ATEEQI CONFIRMED INFO KOC REPS HAD GIVEN US EARLIER THAT FOR QUARTER STARTING OCTOBER 1 GULF AND BP WOULD BE BUYING 900,000 BPD PARTICIPATION CRUDE (UP 200,000 BPD FROM THIRD QUARTER) AT 93 PERCENT OF POSTED PRICE (DOWN FROM 94.8 PERCENT IN THIRD QUARTER). I SAID I FOUND IT INTERESTING THAT NEW GOK-GULF/BP DEAL CALLED FOR HIGHER KUWAITI CRUDE PRODUCTION AT LOWER PRICE THAN THIRD QUARTER. ATEEQI SMILED. HE EXPLAINED THAT DECISION AT LAST OPEC MEETING NOT TO CHARGE MORE THAN 93 PERCENT OF POSTED APPLIED TO THIRD PARTIES ONLY. PARTICIPATING COMPANIES COULD BE CHARGED MORE SINCE THEY ABLE AVERAGE DOWN THEIR COSTS WITH THEIR EQUITY CRUDE. NEVERTHELESS, SAID ATEEQI, CONFIDENTIAL

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HE DID NOT THINK IT RIGHT TO CHARGE COMPANIES THAT KUWAIT HAD

ALWAYS DONE BUSINESS WITH MORE THAN PRICE OFFERED TO THIRD PARTIES. AS FOR LEVEL OF PRODUCTION, ATEEQI ADDED, ALL HE COULD SAY WAS KUWAIT INTENDED KEEP ITS OPTIONS OPEN. (COMMENT: PREDICTIONS ARE OF COURSE VERY DANGEROUS BUT I STILL SAY THIRD QUARTER OF 1974 COULD CONCEIVABLY PROVE TO BE HIGH WATER MARK OF KUWAIT CRUDE PRICES AND LOW WATER MARK OF PRODUCTION - SEE ALSO KUWAIT 3969).

2. I ASKED ATEEQI WHETHER HE SAW PRESENT GOK-GULF/BP PARTICIPATION AGREEMENT AS HOLDING FOR FORESEEABLE FUTURE. IN REPLY ATEEQI AND ALI KHALIFA SAID THEY ASSUMED I HAD SAUDI-ARAMCO NEGOTIATIONS IN MIND. BETWEEN THE TWO OF THEM THEY SPECULATED THAT CRUX WAS PRICE OF CRUDE OFFERED TO COMPANIES IN EXCHANGE FOR 100 PERCENT SAUDI OWNERSHIP OF ARAMCO. ATEEQI THEN OBSERVED THIS WAS EXERCISE HE HAD GONE THROUGH WITH GULF/BP YEAR OR MORE AGO WHEN HE HAD SUGGESTED LONG-TERM CRUDE CONTRACTS AT SOME PREFERENTIAL PRICE IN EXCHANGE FOR 100 PERCENT KUWAITI OWNERSHIP OF KOC. THIS IDEA LATER SHELVED FOR PRESENT 60-40 AGREEMENT. ATEEQI ADDED KUWAIT WOULD NATURALLY WISH TO STUDY FINANCIAL ARRANGEMENTS EMERGING FROM NEW SAG-ARAMCO AGREEMENT TO SEE IF SAUDIS HAD GAINED ANYTHING GOK NOT ALREADY RECEIVING. ATEEQI INDICATED THAT GOK INTERESTED PURELY IN FINANCIAL ASPECT, AND THAT IT HAD NO PLANS AT PRESENT TIME FOR CHANGES IN KOC OWNERSHIP STRUCTURE.
STOLTZFUS

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